



**MAYOR
JERRY SANDERS
Science and Technology Commission
MEETING MINUTES**

The San Diego Science and Technology Commission (SDS&TC) held a meeting on Wednesday, May 17, 2006, hosted by Community and Economic Development located at 600B Street, San Diego, CA 92101.

- I. **CALL TO ORDER/ROLL CALL:** Dr. Martha Dennis, SDS&TC Chair, called the meeting to order at 3:00 P.M. Members present: Luis Avila, Daniel Chang, Dr. Martha Dennis, Dr. Tom Dillon, Charles Holland, Susan Myrland, Craig Roberts, and Julie Meier Wright. Members absent: Craig Andrews, Dr. Hui Cai, Jon Cohen, Scott Corlett, Kristopher Lichter, Dr. Gail Naughton, Tyler Orion, Marc Nemer, Carrie Stone, and Maurice Wilson. Community & Economic Development Department staff members: Toni Dillon, Tina Hines, Michael Lengyel, Lydia Moreno, Trish Hughes-Raber. Public Attendees: Joe Klein and Matt Potter from the San Diego Reader.
- II. **PUBLIC COMMENT:** There was no public comment.
- III. **APPROVAL OF MINUTES FOR:** April 17, 2006
(MOTION/Dillon/Myrland/UNANIMOUS)
- IV. **COMMUNITY AND ECONOMIC DEVELOPMENT PRESENTATION**

A. Business Finance and Special Incentive Zones:

Lydia Moreno, Michael Lengyel, and Trish Hughes-Raber provide information about the Business Finance and Special Incentive Zone Programs.

Lydia Moreno reported that the goals of the Special Incentive Programs are the following: 1) encourage private commercial investment in older, under utilized communities; 2) create job opportunities for residents with little or no job skills; 3) provide job opportunities and encourage employee advancement with companies. Special Incentive Programs include State of California Enterprise Zones, Federal Renewal Community, Federal Foreign Trade Zones, and State of California Recycling Market Development Zone. Moreno mentioned that Enterprise Zone tax incentives include the following: 1) hiring credits; 2) Sales or Use Tax credit; 3) Business expense deduction; 4) Net interest deduction for lenders; 4) Employee credit.

One issue discussed was the expiration of State Enterprise Zones (EZ); specifically, the South Bay and Metropolitan Zone which will expire in January 2007 and October 2006, respectively. Ms. Julie Mier Wright asked what efforts the State legislature is taking on behalf of these and other enterprise zones expiring in the state. Ms. Moreno responded that one option for zones that are expiring is to submit a new application. She noted that San Diego had received word that it is a likely candidate for a new zone. Continuing she informed the Commission that an application for an expanded zone would no longer include downtown; however, the application would include areas of City Heights and North Park as well as areas in National City and Chula Vista. She noted that another possible alternative for expiring zones is presented in SB 1008 (Deucheny Bill). This Bill would provide for two five year extension for existing zones.

This Commission was particularly interested in the marketing of the Enterprise, Renewal and Foreign Trade Zones to high tech businesses. The Metropolitan and Renewal Zones incentives

were discussed as being used to attraction for R&D offices in the downtown area. The tax credits were discussed as they related to high tech border operations for companies like Hitachi

The Commission members showed much interest in the City's Foreign Trade zone designation. Because "new" zones can be located anywhere, Commission members noted that this is a valuable incentive for San Diego. It was agreed that this City Team should be marketing to San Diego technology companies in the northern region of San Diego. Dr. Martha Dennis suggested that City staff for the Business Finance and Special Incentive Zones should take advantage of the Commission members' ties to technology trade organizations and industry groups. Dr. Tom Dillon suggested that marketing materials be revised to illustrate the actual savings that result in positive a bottom-line for businesses that receive tax credits or foreign trade zones duty incentives. Mr. Daniel Chang stated China's foreign trade and enterprise zones waive development impact fees for businesses locating in these areas. Because of the increase in property tax and sales tax revenues the local government receives as newly hired workers purchase homes this waiver is justified. Mr. Daniel Chang suggested the City could choose to follow this model to attract more businesses to these zones.

Michael Lengyel stated that the Business Finance section manages the following revolving loan fund (RLF) programs: 1) Metro Revolving Loan Fund; 2) San Diego Regional Revolving Loan Fund; 3) San Diego Technology Fund. These loan programs are designed to provide financial assistance to small businesses. Funds available for lending in each loan category 1-3 above are approximately: 1) \$300,000; 2) \$1.6 million; 3) \$500,000. More specific program information is available Business Finance Program Guide (Guide). This Guide can be found on the City's web page at the following address <http://www.sandiego.gov/economic-development/pdf/bizfinance.pdf>.

Trish Hughes-Raber highlighted this Team expertise with Michael Lengyel having a MBA and being a CPA and her 25 years of bank lending and program management experience. In addition, she stated that the Technology Loan Fund and its privatized spin-off the EmTek Fund are valuable financing options for high technology firms seeking capitals.

A discussion resulted from review on this Guide. Topics included the following: a) eligibility use of funds; eligible borrowers; c) required matching equity investment by the applicant; typical financing structure; d) loan structure; and e) loan collateral. Trish Hughes-Raber provided examples of portfolio performance and technical assistance that this Team provides for loan applicants. She went on to discuss that RLF programs originate with the federal government and require a match of grant funds for the local government selected to be an RLF lender. The original federal funding and the local match can be revolved as loans are paid back and relent to new businesses.

Trish Hughes-Raber concluded by detailing the importance of the "public benefit" components of RLF programs. She noted that RLF borrowers' "public benefit" obligations are measured by business job creation, targeting businesses in distressed areas and disadvantage businesses.

Dr. Tom Dillon stated that a loan program that provides working capital during the ramp up stage of business development with an interest only period could greatly assist a business's long-term viability. Several Commissioners suggested that the Business Finance Team should be presenting at high technology industry and trade associations. Both suggested the Trish Hughes-Raber follow up with them for introductions to these organizations. Dr. Martha Dennis inquired if RLF presentations should be joint presentations with the now privatized EmTek Fund managed by Mark Sullivan. This was not determined at this meeting.

V. CITY OF SAN DIEGO UPDATE

Toni Dillon stated that the Economic Development and Redevelopment Divisions of the former Community and Economic Development Department have been merged with the City Planning

Department to form a new department. This new department is called City Planning and Community Investment. Dillon announced that Mr. Bill Anderson will be the new Director. Mr. Anderson was previously with Economic Research Associates and has a Masters Degree in City and Regional Planning from Harvard University. In addition, Mr. Anderson has also served on the San Diego Tijuana District Council and Urban Land Institute and was a City Planning Commissioner from 1995 to 2003.

Dillon continued that the Economic Development Division has a new Deputy Director, Mr. Scott Kessler. Mr. Kessler was the Chief Executive Officer for the Business Improvement District Council. The Business Improvement District Council focuses on the activities of all business districts city wide. Mr. Kessler has a long history of public service. Dillon told the Commission that she would invite Mr. Anderson and Mr. Kessler to a future meeting.

- VI. FUTURE AGENDA TOPICS: Due to the constraint of time, this item will be discussed at a future meeting.
- VII. SUBCOMMITTEE UPDATES:
 - A. DIWG: There was no new information available to report.
 - B. The Public WiFi Working Group: As time was running out the Commission announced that the next meeting of this subcommittee was scheduled for Tuesday, June 6th. During this meeting the group plans to have a dialogue with Dianeh Neff, CIO for the City of Philadelphia, regarding best practices for public WiFi.
- VIII. UPCOMING MEETINGS: The next regularly scheduled meeting is scheduled Wednesday, June 21, 2006,
- IX. ADJOURNMENT: There being no further business of the Commission, this meeting was adjourned at 4:45 P.M.